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CONGRESS AND THE CURRENCY.

The bill entitled "A bill to fix the amount of United States notes and the circulation of National banks, and for other purposes" came up in the Senate on the 6th of April and passed, by yeas 29 to nays 24, as follows:

YEAS.—Messrs. Allison, Bogy, Boreman, Cameron, Carpenter, Clayton, Dorsey, Ferry of Michigan, Goldthwaite, Harvey, Hitchcock, Ingalls, Johnston, Lewis, Logan, McCreery, Merrimon, Morton, Norwood, Oglesby, Patterson, Pease, Pratt, Ramsey, Robertson, Spencer, Tipton, West, Windom.—29.

NAYS.—Messrs. Anthony, Chandler, Conkling, Cooper, Cragin, Davis, Fenton, Frelinghuysen, Hager, Hamilton of Maryland, Hamilton of Texas, Hamlin, Howe, Jones, Kelly, Morrill of Vermont, Sargent, Saulsbury, Schurz, Scott, Sherman, Stewart, Thurman, Wadleigh.—24.

Before the question was taken, Mr. CONKLING of N. Y. said no money could be safe and sound unless it be stable—unless it be changeable into coin. Our currency for a number of years had been infirm for three reasons: First, it is not exchangeable for coin; second, it had ever been subject to the shifting will of Congress, and no currency could be steadfast which every year could be tinkered by Congressional majorities or Congressional combinations; third, it is infirm because it is arbitrary, being fixed by Congress. For this bill he could not vote, because it declared a departure from the principles of honesty and solvency. It proposed to put out and keep out the whole forty-four million reserve. It proposed to put out and keep out irredeemable bank paper. Temporary relief might come from it, but it would only smooth the way to disaster and distress hereafter. Such a policy spurned the experience of every epoch of history; trampled upon and violated the faith of the nation. Every department of the Government was pledged to redeem this paper, besides the declarations of the National conventions of that political party which chose most of the Senators upon this floor as well as the Chief Magistrate of the nation, who was also pledged against this policy.

Mr. FRELINGHUYSEN moved to adjourn. Lost by 27 yeas to 30 nays.

Mr. ANTHONY said that in a time of profound peace, with all the elements of prosperity and abundance, and with money plentiful, the Senate was about to add largely to the paper currency of the country; and, in doing so, refused to insert the slightest measure looking to redemption. He thought such action contrary to all experience and all laws of political economy, and would enter his protest against it by his vote.

Mr. THURMAN said that after four months' deliberation the dominant party in this Senate, in disregard of the recommendations of the Chief Magistrate, in disregard of the recommendation of the Secretary of the Treasury, and in utter contempt of the experienced Finance Committee, had adopted a measure proposed by one of the minority. The great Republican party had adopted the measure of a Democrat. He (Mr. THURMAN) could take no credit in this triumph which his democratic friend from NORTH CAROLINA (Mr. MERRIMON) had achieved. After all their discussion it was reserved for the pine woods of NORTH CAROLINA to shape the financial destinies of this country. He believed it would disband the Republican party, though he could not say the one to which he belonged was very solid on this question. [Laughter.] The action of the Senate to-day simply meant that no man of his age would ever again see in this country the money referred to by our forefathers and the framers of our Constitution.

Mr. SARGENT said the passage of the bill trampled down every hope of the people, but he relied upon another department of the Government to set right the wrong which had been done here. This administration had been elected on a pledge contrary to this bill. He (Mr. SARGENT) believed there were men enough in the East, and in the West, to see any party perish, or the leader of any party perish, who attempted to flood the country with irredeemable paper currency.

Mr. SCHURZ said he felt humiliated as an American citizen at the action of to-day. Gentlemen who favored the bill might think themselves benefited, but the day was not far distant when they would curse the hour they gave such a vote. The day was not far off when the people would recover their senses and save themselves from these statesmen who would lead the country to ruin.

The bill provides for an issue of $400,000,000 of legal-tender notes, which is $18,000,000 more than is now in circulation, and an increase of $46,000,000 of National bank notes. The entire increase of paper circulation over the amount of circulation prior to the panic is $90,000,000. The whole amount authorized is $800,000,000, exclusive of $50,000,000 of fractional currency. The bill amounts practically to a free banking law without restrictions as to redemption on a basis of $400,000,000 of legal tenders; for it is not supposed that, within a twelvemonth at least, the limit of the $46,000,000 increase will restrain in any manner the issue of bank currency to those who will deposit the amount of bonds required for security. The majority by which the bill was finally passed was five, and the same majority have worked steadily together from the beginning until the final vote in defeating all propositions looking to compulsory redemption, or any proposition of any kind looking to an ultimate resumption of specie payments.

A Protest against the Issue of the Reserve.

The following petition was presented to Congress February 28:

To the Honorable the Senate and House of Representatives in Congress assembled:

Your petitioners beg leave respectfully to represent that they are greatly alarmed at the assumption by the Secretary of the Treasury of the right to issue new United States notes, commonly known as greenbacks, without the sanction of law:

The issue of irredeemable paper money, and making it a legal tender, is simply levying a forced loan upon the people of the United States. Such an extreme measure can only be excused by the vital necessity arising from a great war, and is even then in direct violation of all ordinary constitutional powers. So far as your petitioners are aware, no civilized government has ever resorted to the issue of irredeemable paper money in a time of peace; and it is a most remarkable event that the great, rich, and prosperous nation of the United States should resort to such a ruinous expedient, without the slightest necessity to excuse it.

Your petitioners, consequently, respectfully but most earnestly urge your honorable body to put an immediate stop to the further issue of greenbacks by the Secretary of the Treasury, and to make arrangements, by the negotiation of bonds or otherwise, to call in and cancel at once every dollar of the so-called reserve which has been issued.

[Signed by nearly all the banks of the City of N. Y.]

New York, February 28, 1874.

Petition to President Grant.

A copy of the petition put in circulation recently, asking the President's veto to measures of inflation, has already been published. Although valuable signatures had been obtained to the petition named, it was decided, upon consultation of those who have the matter in charge, to recall the petitions issued, and circulate instead thereof the following, which contains the substance of the former somewhat modified in expression:

New York, April, 1874.

To Ulysses S. Grant, *President of the United States:*

Sir: The undersigned, citizens of New York, viewing with alarm the recent action of the Congress of the United States, and the imminent danger that, in a time of profound peace, laws will be enacted, which, a few years since, were held to be constitutional only as "war measures," and in the enactment of such laws as

are now pending in both Houses, all the limitations, promises, and pledges of the last ten years will be rendered nugatory:

Respectfully solicit the intervention of your veto, should there be need thereof:

In order that the honor of the country may not suffer in the estimation of our own people, and in the estimation of all the civilized nations of the world; and the undersigned appeal from their own judgment to the language of the most eminent of our statesmen in the Senate and House of Representatives in 1862, in justification of their plea, that a further issue of greenbacks, under existing circumstances, without the warrant of necessity, will inflict a stain on the honor of the Republic, and impair confidence in every future pledge and promise given in its name.

On the 14th April the House of Representatives, at Washington, by a vote of 129 to 116, passed the amendment to the National Bank Act, viz.:

The following is the text of the bill as passed:

That section 31 of the act entitled, "An act to provide a National currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof, approved on the 3d day of June, in the year 1864;" be so amended that the several associations therein provided for shall not hereafter be required to keep on hand any amount of money whatever by reason of the amount of their respective circulations, but the money required by said section to be kept at all times on hand shall be determined by the amount of deposits, in all respects as provided for in the said section.

SEC. 2. That section 22 of the said act, and the several amendments thereto, so far as they restrict the amount of notes for circulation under said act, be, and the same are hereby repealed, and that section 1 of the act entitled, "An act to provide for the redemption of the three-per-centum temporary loan certificates, and for an increase of National bank notes," approved July 12, 1870, be amended by repealing the second proviso in said section contained; and the act entitled "An act to amend an act entitled an act to provide a National currency secured by United States bonds, and to provide for the circulation and redemption thereof," approved on the 3d of March, 1865, be and the same is hereby repealed; and section 21 of the original act, to which the act last aforesaid is an amendment, be and the same is hereby re-enacted.

SEC. 3. That every association organized, or to be organized, under the provisions of the said act, or the several acts in amendment thereof, shall at all times keep and have on deposit in the Treasury of the UNITED STATES, in lawful money of the UNITED STATES, a sum equal to five per centum of its circulation, to be held and used only for the redemption of such circulation; and

when the circulating notes of any such association or associations shall be presented, assorted or unassorted, for redemption, in sums of $ 1,000, or any multiple thereof, to the Treasurer, or any Assistant Treasurer of the UNITED STATES, the same shall be redeemed in United States notes. All notes so redeemed shall be charged by the Comptroller of the Currency to the respective associations issuing the same, and he shall notify them severally, on the first day of each month, or oftener, at his discretion, of the amount of such redemption; whereupon each association so notified shall forthwith deposit with the Treasurer of the UNITED STATES a sum in United States notes equal to the amount of its circulating notes so redeemed. And when such redemption shall have been so reimbursed, the circulating notes so redeemed—or, if worn, mutilated or defaced, new notes instead—shall be forwarded to the respective associations; provided, that each of said associations shall reimburse to the Treasury the cost of redemption and of supplying new notes in place of those redeemed; and the associations hereafter organized shall also severally reimburse to the Treasury the cost of engraving and printing their circulated notes, and provided, further, that the entire amount of United States notes outstanding and in circulation at any one time shall not exceed the sum of $ 400,000,000 now authorized by existing law.

SEC. 4. That any association organized under this act, or any of the acts of which this is an amendment, desiring to withdraw its circulating notes in whole or in part, may, upon the deposit of lawful money within the meaning of said acts, in sums of not less than $ 10,000, with the Treasurer of the UNITED STATES, withdraw a proportionate amount of bonds deposited in pledge for such circulation, and he shall redeem, cancel, and destroy an amount of the circulating notes of such association equal to the amount issued upon such bonds.

SEC. 5. That sections 31 and 32 of the said act be amended by requiring that each of the said associations shall keep its lawful money reserves within its own vaults, at the place where its operations of discount and deposits are carried on, and all the provisions of the said sections requiring or permitting any of the said associations to keep any portion of its lawful money reserves elsewhere than in its own vaults, or requiring or permitting the redemption of its circulating notes elsewhere than at its own counter, except as provided for in this act, are hereby repealed.

SEC. 6. That upon all circulating notes hereafter issued, or hereafter to be issued, whenever the same shall come into the Treasury, in payment or deposit, for redemption or otherwise, there shall be printed, under such rules and regulations as the Secretary of the Treasury may prescribe, the charter numbers of the associations by which they are severally issued.

Effect of the Bill.

An idea was put forth which had a depressing effect upon the inflationists, though some of them professed to laugh at it. It was stated that the Senate bill would effect an immediate and extensive contraction, by compelling country banks to take away from New York, and other money centres, in all some $40,000,000, and lock it up in their own vaults. More were frightened by this bugbear than were willing to confess it, but reflection and discussion convinced people generally that the operation of the bill in this respect, would injure nobody but those who are engaged in forcing up the price of gold and stocks, in anticipation of the passage of the bill. There are many of this class in Washington, and a close scrutiny would probably reveal some such within the Houses of Congress. Senator Scott, the author of the provision of the bill relative to deposits of reserves, states that if the inflationists are now opposed to it, they are opposed to the remedy which is designed to correct the very evils of which they have so long complained. The West and South have complained, during the four months of the finance debate in the Senate, that the banking circulation, which should be retained in their local banks, under the provisions of the National banking act, has been concentrated in Wall Street, through the inducement of interest which could be obtained, and that their capital has thus been diverted from commercial employment to speculative uses. The provisions of the Senate bill provide that three-fourths of the bank reserves shall be kept at home, and not be sent to Wall Street. The measure is not a contraction measure so far as commercial business goes. On the contrary, it strengthens the local banks, and puts them in a position to meet the demands of their depositors in any time of panic. Had such a provision been in force during the September panic, the country banks would have been able to meet the demands of their depositors, and the panic would consequently have been much less general. It is true that the surplus capital of the country banks in dull seasons, under the inducement of interest, found its way to Wall Street, and thus was, to some extent, in circulation; but it was loaned only upon call and for speculative purposes, and was not much used in commercial exchanges. The bill may work a speculative contraction, but it is not the purpose of the bill, or Congress, to legislate in the interest of Wall Street. Such are the views of the author of the provision. It is the opinion of many others, whose views are accorded great weight on these subjects, that the operation of the bill, in this particular, will not create any stringency in money used for commercial transactions, and that the effect upon business will be wholesome.

Should this measure be finally consummated, the effect, we think, will be to withdraw many millions from New York, Philadelphia, Boston, &c., now on deposit for account of country National banks, and to place these sums under the immediate control

and use of the latter at home. At present these sums are the basis of exchange between these cities and the interior. Practically it will lessen the currency of the country.

Immediately after the passage of the preceding bill, on the 14th, by the House of Representatives, the Senate bill was taken up and passed by a vote of 140 to 102.

The text of the bill is as follows:

That the maximum amount of United States notes is hereby fixed at $ 400,000,000.

SEC. 2. That $ 46,000,000 in notes for circulation, in addition to such circulation now allowed by law, shall be issued to National banking associations now organized, and which may be organized hereafter, and such increased circulation shall be distributed among the several States as provided in Section 1 of the act entitled, "An act to provide for the redemption of the three-per-centum temporary loan certificates, and for an increase of National bank notes," approved July 12, 1870. And each National banking association now organized, or hereafter to be organized, shall keep and maintain, as a part of its reserve required by law, one-fourth part of the coin received by it as interest on bonds of the UNITED STATES deposited as security for circulating notes on Government deposits, and that hereafter only one-fourth of the reserve now prescribed by law for National banking associations, shall consist of balances due to an association, available for the redemption of its circulating notes, from associations in the cities of redemption, and upon which balances no interest shall be paid.

In the discussion of this measure Mr. HOAR, of MASSACHUSETTS, raised four objections, which he thought would take the bill to the committee. In the first place, he made the point that the bill increases the funded debt; next, that it required an appropriation of money to carry it into effect; in the third, that an amendment making an appropriation of money to carry the bill into effect was germane; and in the fourth, that the bill laid a tax upon the people. These points Mr. HOAR explained in a terse and brief speech, which was supplemented by Gen. GARFIELD, who called attention to the importance of one or two of the points. These objections were over-ruled.

The final decision of this measure has been made since the foregoing was written, by the President's veto of the bill. We complete, in NOTES ON THE MONEY MARKET (page 916), the record up to this date of the most important incident in the financial history of our country since the late war.

SOUND VIEWS OF THE CURRENCY.

The following letter, from the late Mr. ROBERT B. MINTURN, of New York, although written in the year 1862, was not made public until the year 1874. It is exceedingly interesting at this date, as showing the foresight and sagacity of the writer of the letter. He clearly foresaw and pointed out that a paper currency, not redeemable in gold or silver, is an injury to the country where made; and events have proved the truth and soundness of his views. Not one of the members of Congress, who voted for the issues of legal tenders in 1862, would have assented to their existence beyond the war. They were a mere WAR MEASURE and so proclaimed at the time. Our statesmen should ponder the words of Secretary DALLAS in 1813:

"But whether the issues of a paper currency proceed from the National treasury, or from a National bank, the acceptance of the paper in a course of payments and receipts must be forever optional with the citizens. The extremity of that day cannot be anticipated, when any honest and enlightened statesman will again venture upon the desperate expedient of a tender law."

"The want of stability, morality, and intelligence in the Government which may undertake to substitute a paper for a metallic currency, are the objections which have already been considered."

(Ed. B. M.)

LETTER FROM ROBERT B. MINTURN, OF NEW YORK.

New York, January 11, 1862.

Dear Sir: When I was in Washington you did me the honor to write me to communicate to you any ideas that I might judge deserving of attention regarding our National finances; and, as the public mind is much agitated by the uncertainty regarding the mode in which government may defray the large expenditure necessitated by the prosecution of the war, I take the liberty of stating to you some considerations in favor of raising funds by long debentures, based upon a heavy taxation (which I believe to be the only sound system), and against an issue of an irredeemable paper currency, which appears to be the only practicable alternative.

First—At a time when the wealth of the country is necessarily consumed at so great a rate, a sound system of finance should favor economy in public and private expenses, and, at the same time, stimulate industry to supply the unavoidable waste. If, then, the government raises money on long bonds, pledging the National

honor to pay interest and principal in *gold*, and selling the bonds at the best price it could obtain in the open market, the following results would, I believe, be realized:

1. The difficulty of obtaining money, the high interest to be paid, and the heavy taxes necessary to give the loans a market, would urge the greatest economy and efficiency in the government.

2. The low rates at which the loan would probably sell would attract foreign capital, of which we have great need.

3. The loss represented by the rate of discount at which the loans might be negotiated, would fall, as it should do, on the whole nation, and be distributed through a term of years.

4. The inevitable high rate of taxation (which would be needed to induce capitalists to feel confidence in investing in the loans) would force the people to a realization of the extent to which they are becoming poorer. It would consequently stimulate them to economy in all articles of import, and to the utmost industry in increasing the wealth of the country by production; thus counterbalancing, to as great an extent as possible, the impoverishment of the nation by the war.

Second—But if, on the other hand, the expenses of the war are met by an issue of inconvertible currency, the results will, I believe, be directly the reverse.

1. The mere printing of paper, and circulating it by giving the prerogative of a legal tender, is so much easier than borrowing money at high rates of interest and repaying loans by heavy taxes, that if the former course is once begun it is in danger of being carried on indefinitely; and the natural check to extravagance in the administration of the government, which would be found in the difficulty of borrowing, is quite lost.

2. The greater the quantity of an inconvertible currency that is issued, the lower will its value fall by an infallible natural law. Not only, therefore, will foreign capital not come to the aid of the government in the shape of loans, but both foreign and domestic capital will be transferred abroad by its owners to escape the loss entailed by a constantly depreciating standard of value. This movement set in some time since, say two months or more ago, in anticipation of the country adopting an inconvertible currency, as has been clearly indicated by a steadily advancing rate of exchange on Europe, in face of a balance of trade in favor of this country.

3. If the government currency were finally redeemed in gold, the loss arising from repaying in specie that which had been originally issued at a depreciated value in exchange for supplies would, it is true, fall on the whole nation, but in a much heavier form than the loss considered under the head (third) above. But before redemption, and while depreciation was going on, all creditors of the country would be losers in exact proportion to the de

cline of the currency. The debtor being able to discharge his obligation in a currency less valuable than it was at the time he borrowed, becomes to that extent, by the action of law, the owner of property which properly belongs to his creditors. It is easy to see the way in which such enactments operate, to force wealth away from a country where there is even danger of such a condition of the currency; and the effect occurs just at a period when our National policy should be such as to attract wealth hither by every assurance of legal protection and security.

4. With an irredeemable currency the government would be tempted to tax but lightly, since an onerous taxation would not be necessary to enable them to raise money, but only to furnish them means for redeeming the currency—a difficult operation, which would eventually be postponed as long as possible. The people would then not be aware of the rate at which the resources of the country, and the wealth of each one, was being consumed, and they would therefore be without the natural stimulus to economy and industry imposed by heavy taxation; and would not deny themselves a free indulgence in articles of import, which would be paid for in the gold which would have been supplanted here as a medium of exchange by the legal substitution of a less valuable currency.

Thus, instead of the wealth of the nation being economized, by the people being stimulated to a moderate use of imports, and to paying for them as far as possible by increased production, they would be seduced by a fictitious financial ease into the opposite course of consuming freely articles imported from abroad and paying for them by the gold representing their accumulated wealth.

Having thus set down in numbered heads—which I beg that you will compare one with the other, in the order in which they are placed—a few arguments which have suggested themselves to me in favor of a negotiation of loans at a long date, and against an inconvertible paper currency, it will not be out of place to conclude by saying that I can urge these considerations without feeling that my views are at all swayed by my interests, as I have long foreseen the probability of a general suspension of specie payments, and have placed most of my property beyond the reach of a depreciated paper currency.

I am not insensible of the effect upon the banks in this city, Philadelphia and Boston, of the course which I am advocating; but as their connection with the Treasury Department might fairly be considered as an agency, undertaken chiefly to facilitate the negotiations of the government, I think that they might justly be allowed to convert their seven-thirty Treasury notes into long bonds at the average rates realized for the issues now contemplated.

Believe me, dear sir, with great respect, yours,

ROBERT B. MINTURN.

To Hon. S. P. CHASE, Washington.